

Proxy Voting Policy

► 1. Purpose and application

This document is consistent with Financial Services Council ('FSC') Standard 13 *Voting Policy, Voting Record and Disclosure* and sets out the Morningstar Investment Management Australia Limited ('Morningstar') policy in relation to proxy voting.

The Proxy Voting Policy outlines that, except in special cases where we feel abstention is required, we consider and vote all proxies for every resolution in respect of holdings beneficially owned by us in companies and other entities publicly listed in Australia, excepting entities for which we feel we have no discretion to vote.

In some instances, we may determine after appropriate consideration that as a matter of governance or investment process, it is more effective and in Scheme Members' best interests for us to abstain from voting.

► 2. Overview

The guiding principle of this Policy is that voting rights should be exercised and proxy votes should be cast in a way designed to ensure that proxies are voted effectively and in the best interests of Scheme Members.

Voting decisions are made on a case by case basis by an assessment of the matter at hand and after taking into consideration the likely effect on the performance on the Morningstar Investment Funds.

Morningstar believes that good governance practices are an element in overseeing the stewardship of a corporation. Good corporate governance should, in the long term, lead toward both better corporate performance and maximum shareholder value.

Morningstar recognises the strong link between good corporate governance and investment value.

Corporate governance deals with the way in which companies are directed and controlled. Morningstar's view is that the most appropriate corporate governance is achieved by applying recognised corporate governance principles (such as those detailed in the ASX Corporate Governance Principles and Recommendations document and the FSC Blue Book).

► 3. Principles

We are of the view that, in the on-going management of a portfolio, corporate governance matters and the exercise of voting rights are important factors. We appreciate that in some cases we may have the potential to influence corporate governance and policy by the exercise of our voting rights. Even if the matter is not material, then consistent with good practice and FSC Standard 1 Code of Ethics and Code of Conduct, we exercise voting and other similar rights at our discretion according to the needs of the investment strategy.

In exercising these rights, we take into account the following principles:

- (a) any votes cast will be cast in the best interests of Scheme Members;
- (b) we will not vote in favour of resolutions or actions imposing differential voting rights share classes or "poison pill" or other anti-takeover provisions which seek to deter appropriate takeover offers;

- (c) our preference is to support and vote in favour of a Board or management recommendation. However, where a recommendation is not consistent with our policies or our direct fundamental strategies investment process, the recommendation will not be supported;
- (d) we will not vote where we are excluded from so doing by the Corporations Act or other laws or in cases of conflicts of interest or duty which cannot be resolved lawfully or appropriately;
- (e) in some instances we may determine for governance reasons and that Members' best interests are served by us abstaining from voting, and;
- (f) if a resolution is divisive or raises contentious issues, we will be guided by what is in the best interests of Members. Resolutions falling into this category include:
 - i. those where there is a real likelihood that we will vote against a Board-sponsored resolution;
 - ii. those where there is a real likelihood that we will vote against a current Director standing for re-election;
 - iii. those which in our reasonable opinion are inconsistent with or contravene the FSC Blue Book or ASX Corporate Governance Principles and Recommendations;
 - iv. any other issue or resolution which we consider on reasonable grounds to be contentious or divisive having regard to media coverage, industry conventions and relevant laws.

► **4. Implementing our Policy**

Morningstar recognises that voting rights have economic value and that the exercise of such voting rights is a fiduciary duty. In most cases Morningstar outsources stock specific governance matters to investment managers appointed to manage the assets of the Morningstar Investment Funds in a manager-of-manager structure. Morningstar believes that its appointed managers are in the better position to manage the proxy voting requirements in respect of their portfolio holdings.

4.1 Responsibility for Policy

The Chief Investment Officer in conjunction with the Chief Operating Officer is responsible for implementation of this policy.

4.2 Manager research

When undertaking manager research, Morningstar's professional staff will ensure that all managers being rated provide responses on proxy voting that are consistent with our policy. A BUY rating cannot be assigned in the absence of this information.

In making a decision on an investment manager, our process will review a manager's proxy voting policy.

Managers must confirm annually their proxy voting policy and compliance status. This can be done in concert with an annual compliance questionnaire sent to managers.

4.3 Investment Manager Agreements

All investment manager agreements mandate the appointed fund manager to vote on resolutions put to shareholders in accordance with their proxy voting policy.

4.4 Direct investment mandates with our approved investment implementation manager In some instances, as part of an investment mandate, we will authorise our investment managers or agents to exercise our voting rights in accordance with the Voting Policy outlined above. An example of the

Morningstar proxy voting policy contained within an investment implementation manager agreement is shown in the Appendix.

Nevertheless, we at all times retain our voting and other rights in relation to Scheme investments and reserve the right to override a manager's ability to exercise such rights as it thinks fit.

4.5 Listed Australian Equities

We have provided mandates to our investment implementation manager and other managers to notify us of voting recommendations whenever a recommendation is to vote against a Board or management recommendation. Further investigation may be required before exercising voting rights if a particular issue is not addressed by best practice guidance or the situation is unusual.

4.6 Collective investments and Interposed Entities

In a number of cases, we will not hold direct and immediate voting rights because of the interposition of a trust or other structure between it and the ultimate investments (e.g., an investment by us in a managed investment scheme which then invests pooled or collective moneys). In such cases, we will request that the interposed entity exercise its voting rights in a manner consistent with our Voting Policy and to report to us on the exercise of voting rights.

4.7 Disclosure

As required by FSC Standard 13 Voting Policy, Voting Record and Disclosure, no later than three months after the close of financial year, we collate a summary of our proxy voting activities for our clients. This disclosure is in a form consistent with FSC Standard 13.

Appendix - Investment Management Agreement Extract

VOTING AND CLASS ACTIONS

1. Exercise of Voting rights

Morningstar authorises the Manager to exercise any right to vote attached to a share, unit or other security forming part of the Portfolio or to so direct the Custodian. The Manager must use its reasonable endeavours to implement any Proper Instruction regarding the appointment of a proxy and the way in which the proxy should vote but in the absence of any Proper Instruction may exercise or not exercise the right to vote as it sees fit, having regard to any general direction contained in Part A of the Mandate.

2. Voting Policy

The Manager must upon execution of this Agreement and thereafter from time to time inform Morningstar of the Manager's policies regarding the exercise of voting rights and any changes to its policies. The Manager must inform Morningstar if the Manager exercises a right to vote in a manner that is inconsistent with the policies disclosed to Morningstar.

3. Class actions

- (a) Morningstar acknowledges that the Manager may participate in class actions or similar procedures or settlements on its own account and on behalf of collective investment vehicles operated by the Manager and other clients of the Manager.
- (b) The Manager will promptly notify Morningstar if it becomes aware of any class actions or similar procedures or settlements in respect of any of the securities comprising the Portfolio.
- (c) If Morningstar or the Responsible Entity participates in class actions or similar procedures or settlements in respect of any of the securities comprising the Portfolio or which have in the past been part of the Portfolio, the Manager shall give Morningstar or the Responsible Entity such assistance as may from time to time reasonably request in relation to the establishment or verification of Morningstar's or the Responsible Entity's rights in relation to that action, procedure or settlement.

4. Notices of Meeting

Where the Manager receives any notice of meeting relating to any person, company or unit trust in which the Portfolio is invested, the Manager is not required to forward the notice to Morningstar unless directed to do so by Morningstar.